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C O N F I D E N T I A L SECTION 01 OF 04 RANGOON 001444

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TAGS: [EAID](#) [KCRM](#) [PGOV](#) [PHUM](#) [PINS](#) [PREL](#) [SNAR](#) [BM](#) [NGO](#)

SUBJECT: THE SLIPPERY SLOPE TO A DRUG-FREE WA REGION

REF: A. RANGOON 605

[B](#). RANGOON 148

[C](#). RANGOON 138 AND PREVIOUS

[D](#). 04 RANGOON 1605

[E](#). 04 RANGOON 221

[F](#). RANGOON 1234

Classified By: Poloff Dean Tidwell for Reasons 1.4 (b, d)

[1](#). (U) SUMMARY: United Wa State Army (UWSA) leaders told visiting diplomats that drugs have turned the ethnic Wa into "pariahs." The Wa leaders claimed, however, that they have turned a new page and "put narcotics behind us," appealing for increased international assistance and a reversal of U.S. federal indictments against UWSA officials. Wa-initiated development projects, lacking market research, have failed to replace lost income for former poppy farmers, among Burma's poorest populations. Modest WFP food-for-work and UNODC alternative crop projects have had more success. Notwithstanding the genuine humanitarian needs in Wa territory, the UWSA leadership's appeal for help ignores the fact that their ill-gotten gains have been invested in major commercial enterprises in Rangoon and elsewhere outside of Burma, rather than assist their own farmers. END SUMMARY.

[2](#). (U) The World Food Program (WFP) organized a December 9-12 visit to Wa Special Region 2 in northeastern Shan State for approximately 15 diplomats, including Emboff, from donor countries. After flying to Kengtung in eastern Shan State, headquarters for the Burmese military's Triangle Command, the group traveled in a vehicle convoy along the Chinese border to remote Pang Kham (formerly known as Pang Hsang), the capital of Wa territory. This was the first trip of an Embassy officer since the U.S. Attorney's office for the Eastern District of New York unsealed federal indictments last January against the UWSA's top seven leaders on drug-related charges (ref C).

[3](#). (SBU) UWSA troops turned out in force all along the rough mountain route to provide security for the VIP group, which included several senior GOB police and border affairs officials. In Pang Kham, the delegation met with UWSA leaders, including Deputy Chairman Xiao Ming Liang; Chief of General Staff Ai Lun; and Minister for External Relations Zhao Ai Nap. A UNODC employee told the delegation that UWSA General Secretary Bao Yu Xiang (aka Pao Yu Hsiang), the most senior of the indicted Wa leaders, was seriously ill and had returned to his native village in October (ref D).

DECREETING A DRUG-FREE WA REGION

[4](#). (U) At a briefing in Pang Kham, UWSA Deputy Chairman Xiao Ming Liang told the diplomats that on June 26 Wa leaders had finally implemented a long delayed ban on poppy cultivation throughout Special Region 2. The UWSA, he claimed, had sent messengers to all parts of the Wa region instructing farmers to cease cultivating opium poppy. Xiao said that "some" poppy farmers were displeased with the ban, but he said that the UWSA had decided to forgo tax collection for the next three years in order to mitigate the farmers' short-term income loss. (Note: Wa authorities previously collected opium as payment for taxes. End Note.)

[5](#). (U) Deputy Chairman Xiao allowed that "a few" Wa farmers may not know about the ban and will likely continue to cultivate poppies at remote sites, although he insisted that the UWSA would not tolerate further cultivation. Other UWSA officials claimed that Wa authorities had destroyed some newly planted poppy fields in November, at the beginning of the 2005-2006 poppy season. Wa representatives also claimed that the UWSA had recently arrested 19 ethnic Wa who were involved in the production of methamphetamines, confiscating 150 kg of pills that officials allegedly destroyed in September.

[6](#). (U) The UWSA deputy chairman urged the diplomats to convince the New York federal court to rescind indictments against the Wa leadership. "We don't understand U.S. pressure," he said, lamenting that the withdrawal of USG support to UNODC for Wa farmers "comes at a time when we are facing the greatest difficulty." He appealed for the USG, as "the largest donor," to resume counter-drug assistance in

order to help farmers in growing alternative crops following the ban on poppy cultivation.

PLAYING TO THE AUDIENCE

17. (C) Xiao Ming Liang fielded questions from the diplomats, but clearly formed his responses for the benefit of the GOB minders who accompanied the group. When asked if UWSA loyalties are with Rangoon or Beijing, for example, he said the Wa have no plans to secede. "We will always be part of Burma," Xiao insisted. He acknowledged, however, that the Wa leadership uses the Chinese language for its communications, noting his region's geographical proximity to China and distance from Rangoon. None of the Wa leaders we met spoke Burmese; they all communicated with us in Chinese through interpreters. Xiao also recalled the 30-year war the Wa fought against the GOB under the flag of the Burma Communist Party. "We still feel distant (from Rangoon) in our hearts," he admitted.

18. (SBU) Xiao had little to say about the regime's National Convention process, simply acknowledging that a delegate from the United Wa State Party (UWSP, the Wa political arm) attends the current session. As for the GOB's relocation of the Burmese capital to Pyinmana, Xiao said the Wa had only learned about the development through media reports. He complained that the Burmese regime had reduced contact with the UWSA over the past year, suggesting that U.S. indictments against the Wa leadership had discouraged closer dialogue. "Only two ministers have visited us this year," he said, stating that the UWSA hoped SPDC Chairman Than Shwe would come to Pang Kham to meet with Wa leaders.

19. (SBU) In response to a question by the U.K. ambassador on the HIV/AIDS epidemic, Xiao noted that the AIDS mortality rate in the Wa region is now around 20 percent, down from 80 percent in previous years, and he expressed gratitude for U.K. assistance to UNODC projects in Wa territory. "Remember, however," chided Xiao, "who it was that brought poppies to our region," invoking a familiar GOB and Wa argument that colonial Britain and Western drug markets are the source of the region's current drug woes. "Due to drugs, we are pariahs," Xiao added, but insisted that the UWSA had "put narcotics behind us." He appealed for international support and proclaimed, "Drugs are our common enemy."

ALTERNATIVE CROPS AND ILLICIT ENTERPRISES

10. (SBU) The diplomats observed UWSA alternate crop projects, including rubber plantations and fruit orchards. However, they saw little evidence that the state-run projects had replaced lost income for former poppy farmers. The Singaporean ambassador observed that he had never seen rubber trees so densely planted and doubted they would be productive. Rubber cultivation already abounds in nearby China, the only viable export market for Wa rubber, thus casting doubt about the profitability of Wa-grown rubber. UN officials also told us that Wa farmers have stopped harvesting their orchards, because their produce cannot compete with the huge influx of cheap fruit from China. Now some villagers have cut down their fruit trees for firewood.

11. (SBU) Development workers have long joked about the "GDP" industries (gambling, drugs, and prostitution) in eastern Shan State. Although the Wa claim they have banned poppy cultivation and cracked down on other drugs, gambling and prostitution are much in evidence in Pang Kham. During our visit, we saw one gambling casino in the capital active with local weekend patrons. This establishment and others like it, however, could follow the fate of casinos in Mongla, Pang Kham's sister city to the south in Special Region 4. Chinese authorities recently took action to prevent PRC officials from gambling away state assets, effectively driving Mongla's casinos out of business (ref F). The "oldest profession" appeared to be thriving in Pang Kham with ubiquitous, pink-lit lounges, staffed mostly by Chinese girls, scattered over several blocks.

A ZERO-SUM GAME?

12. (U) According to UNODC officials, Wa poppy farmers are among the poorest populations in Burma. Average household income among poppy farmers in Shan State, for example, is roughly \$292 per year, twenty percent less than non-poppy households in the same region. Opium sales account for more than half of the income in those households that, before the ban, cultivated poppy and produced opium.

13. (U) The diplomatic delegation visited ethnic Lahu villages in southern Wa territory, where UNODC has established rice banks, schools, tea cultivation, and other income generation activities for former poppy farmers. During a WFP rice distribution in one village, we spoke with local Wa leaders and farmers and learned that an estimated 75 percent of the Wa population lacks income to buy rice for four months or more per annum.

¶14. (U) The WFP and the UNODC both report significant improvement in development indicators among the Wa population as a result of UN projects to help Wa households switch from a poppy-based economy to other livelihoods. UN agencies and INGOs working in the region appealed for increased funding, warning that improved socio-economic conditions could quickly be wiped out as the poppy cultivation ban takes effect, reducing farmers' income.

COMMENT: PASSING THE BUCK

¶15. (C) Indicted by the United States, ignored by Rangoon, beholden to China, and seeing international assistance decline, the Wa leadership clearly feels shunned by the world and understands that drugs are a primary cause of their international isolation. As finances grow more difficult in coming months for leaders and farmers alike, their resolve to make Wa territory a poppy-free, if not a drug-free, zone will be severely tested. While Wa leaders, during their discussions with visiting diplomats, focused on their efforts to get out of the opium business, they ignored abundant evidence that massive production and trafficking of amphetamine-type stimulants in Wa territory have quickly filled the void.

¶16. (C) The UWSA leadership's appeal for international assistance to bail out their poor farmers ignores the huge profits Wa leaders have reaped over the years from drug trafficking. They invested their ill-gotten gains in Burma's airline, banking, and construction industries and have major holdings in Thailand and Hong Kong. Their appeal for aid also conveniently ignores the fact that the poorest of the farmers are the tens of thousands of ethnic Wa that the UWSA forcibly relocated from the highlands to southern valleys, anticipating that the international community would assist those displaced. The Wa leadership could easily subsidize the 63,000 households in their territory and significantly alleviate the dire poverty of their own poor farmers. End Comment.

VILLAROSA